DOCUMENT RESUME

ED 315 667 CG 022 246

TITLE	Planning Your Retirement.
INSTITUTION	American Association of Retired Persons, Washington, D.C.
PUB DATE	89
NOTE	25p.
AVAILABLE FROM	American Association of Retired Persons (AARP) Fulfillment, 1909 K Street, N.W., Washington, DC 20049 (Stock No. D12322, free for single copies).
PUB TYPE	Guides - General (050)
EDRS PRICE	MF01 Plus Postage. PC Not Available from EDRS.
DESCRIPTORS	Employment; Financial Support; Health; Housing; Life Style; *Older Adults; *Planning; Relationship; *Retirement; Retirement Benefits; Role Perception; Time Management
IDENTIFIERS	*Retirement Planning

ABSTRACT

This guidebook on retirement planning helps potential retirees by raising important issues in such areas as changing roles and relationships, health and fitness, meaningful use of time, working options, financial and estate planning, and housing and lifestyle. The first section, on attitude and role adjustments, discusses support systems, changing roles for partners, single living, responsibility for an aging parent or child, bonds with the young, and self-identity. The second section discusses healthy lifestyles, including exercising, eating well, dealing with stress, and being in charge of one's own health. The third section discusses meaningful use of time, including hobbies, adult continuing education, travel, contemplation, and volunteering. The fourth section focuses on working options, discussing ways to evaluate what the individual has to offer, a self-directed job search, and self-employment. The fifth section describes changing housing needs relative to stages of the active, slowdown, and dependent stages of retirement. The sixth and lengthiest section discusses financial security. Sources of retirement income, expenses in retirement, coping with inflation, bridging the gap between income and expenses, investment questions to consider, and income taxes and investments are described. The guidebook concludes with a discussion of legal affairs and estate planning with advice on where to go for help, estate planning devices, estate taxes, and estate planning checkups. A list of additional resources is included. (ABL)

****
* Reproductions supplied by EDRS are the best that can be made *
* from the original document. *
****

Planning Your RETIREMENT

ED315667

CS022246

U.S. DEPARTMENT OF EDUCATION
Office of Educational Research and Improvement
EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)

☑ This document has been reproduced as received from the person or organization originating it.

☐ Minor changes have been made to improve reproduction quality.

• Points of view or opinions stated in this document do not necessarily represent official OERI position or policy.

"PERMISSION TO REPRODUCE THIS MATERIAL IN MICROFICHE ONLY HAS BEEN GRANTED BY

George Selby

TO THE EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)."

BEST COPY AVAILABLE

AARP is the nation's largest organization of Americans age 50 and older. Headquartered in Washington, D.C., this non-profit, non-partisan organization offers a wide range of membership benefits, legislative representation at federal and state levels, and educational and community service programs carried out through a national network of volunteers and local chapters. The Association also offers a variety of educational and advocacy programs for older workers, who make up one-third of AARP's total membership.

AARP is educating employers, employees and the general public about retirement and employment issues affecting older workers through the Association's Worker Equity Initiative. Its mission is to foster attitudes, practices and policies on work and retirement to meet the needs of a changing and aging work force.

The goals of the Initiative are as follows:

- To combat age discrimination in employment;
- To improve the economic security of older persons;
- To develop and advocate programs that encourage the innovative recruitment, management, education, training and work alternatives available to older persons;
- To encourage institutions—education, business, government, media and others to develop programs and curricula;
- To collect and disseminate information;
- To advocate the elimination of stereotypes; and
- To monitor and advocate improvements in state and federally funded programs.

For more information about AARP's efforts on behalf of older workers, write to: AARP's Worker Equity Department, 1909 K Street, NW, Washington, DC 20049.

Copyright © 1986, 1987, 1988, 1989 American Association of Retired Persons.
All rights reserved.
Printed in the United States of America.

For free single copies of this publication, send a postcard with your name and address to AARP Fulfillment, 1909 K Street, N.W., Washington, D.C. 20049. Ask for "Planning Your Retirement" (D12322). Allow 6-8 weeks for delivery.

AARP Membership Benefits

+ AARP works to secure more equitable treatment for people fifty and over, actively employed, semi-retired, or retired. It constantly searches for ways to improve work and retirement conditions.

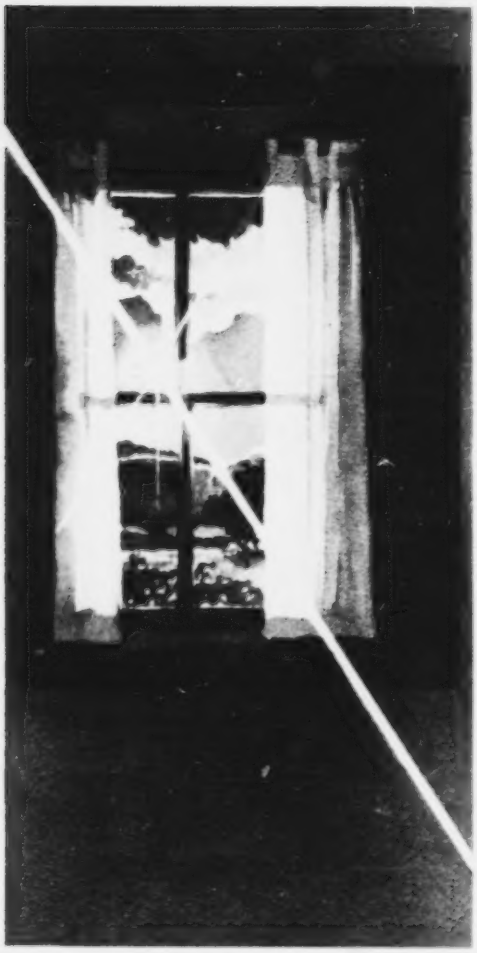
+ Through the strength of its members and active legislative program, AARP gains benefits for members that they could not gain themselves.

+ AARP memberships brings you Modern Maturity magazine, the AARP News Bulletin and services, including: group health insurance, investment programs, non-profit pharmacy service, motoring plans, hotel, motel and car rental accounts, travel service, auto and home owners' insurance.

For membership information contact: AARP Membership Services, 1909 K St., NW, Washington, DC 20049.

Retirement today can mean embarking on a new and vital phase of life, one filled with fresh opportunities, expanded interests, new friends, and deep satisfaction. It can be the most enjoyable and productive time of your life—if you plan for it.

Retirement offers many choices and challenges: full-time careers, part-time employment, absorbing volunteer work, long-sought leisure pursuits, or any combination of these activities. There are as many definitions of retirement as there are retirees.



The key to creating and experiencing a satisfying retirement is planning—preparing yourself emotionally, psychologically, physically, and financially. Such planning will give you a sense of control, raise your expectations, and turn you toward the future with enthusiasm.

One of retirement's greatest bonuses is freedom, freedom to re-create your life as you would like. If, however, you have received most of your satisfaction from work over the years, you may have to spend some time—before retirement—exploring how you can achieve these same satisfactions—status, prestige, structure, a sense of accomplishment—in other activities, or perhaps in a combination of work and leisure pursuits.

No one right answer exists for everyone. You are unique. No other person has your perspective, hopes and expectations, or your life experience. Only you can determine, according to your circumstances, wants, and needs, how best to achieve your retirement goals.

Success will come with thoughtful planning. Retirement planning is the process of identifying your wants and needs, developing plans to achieve them, then acting on your plans, continually reviewing and revising them as you gain new knowledge and experience. Such long-range planning is the best way to identify your retirement lifestyle and to ensure the financial means to achieve and maintain it. Retirement planning will help you understand yourself better, evaluate your options, acquire needed information, identify valuable community resources, realize when you need to seek professional advice, and develop internal and external support systems to replace those that will disappear when you leave work or move in retirement.

As you start taking charge of your life, your attitude toward the future will become more and more positive. This guidebook will help you on your way by raising important issues for you to think about in such areas as changing roles and relationships, health and fitness, meaningful use of time, working options, financial and estate planning, and housing and lifestyle. Once you define your lifestyle goals and set priorities among them, you will need to analyze your current and future financial situation to determine whether or not you can afford the retirement lifestyle you want. This guidebook will help you analyze retirement income and expenses and explore ways to enhance your income now and enjoy a secure and rewarding retirement later.

One thing to keep in mind as you plan: Your retirement may affect other people, and its success, to some extent, may depend on those people. Let them share in your plans and explorations. They can provide you with support and encouragement. And your enthusiasm will be contagious.

To those who are prepared, retirement offers many opportunities. Prepare yourself; seize those opportunities; make the most of them and enjoy your new phase of life to the fullest.

Retirement today is . . . the beginning of a new, lengthy, important stage of life, rich with promise and well worth planning for.

—Hugh Downs
The Best Years Book

The magic of making life after work the best time of life is in our heads. It's how we look at it.

—Allan Fromme
Life After Work

Retirement will bring change. But you are already an expert at adapting to change; you've been doing it all your life. Now you have the accumulated wisdom, knowledge, and experience of a lifetime to draw on as you adapt successfully to the changes retirement will bring.

Your attitude toward work will greatly influence your initial attitude toward retirement. If you attained most of your prestige and pleasure from work, you may find it difficult to adjust to retirement until you discover that the same, or greater, satisfaction and fulfillment can be achieved in this new phase of your life.

Think of the many roles you have assumed to date—in your family, school, social, work, and community settings. Retirement will provide you with the time, freedom, and flexibility to vary your current roles and take on new ones based on your interests, resources, and state of health.

New roles are not assumed automatically. They need to be learned. They take practice. But as you start to make plans and adjust to changing roles, you will find that your expectations will rise and your attitude will become more and more positive.

Your Support Systems

Long before retirement, examine your support systems of colleagues, friends, family, neighbors, clubs, community and religious groups. Each one provides you with something that contributes to your psychological and emotional health—recognition, companionship, a sense of being needed, etc. When retirement comes, particularly if you plan to move, which of your support systems will disappear? Can you do without them? Can you replace them? How? For example, in retirement you won't be able to depend on your job or social position for a circle of friends and acquaintances. You will have to make an effort to find new friends, preferably before you retire. Determine now which of your support systems are crucial to your psychological and emotional well-being and decide how you are going to enhance them or replace them in retirement.

Changing Roles for Partners

Marriages are never static—they get better or worse. Retirement can place a strain on marriage or any close relationship. More togetherness requires adjustments in the attitudes and roles of both partners. Here are some suggestions from other retirees that will help you and your partner make a smooth transition into retirement:

1. Plan your retirement together and be mutually supportive. Reaffirm your mutual respect and love.

2. Encourage friendships. Help one another rediscover old friends and find new ones.

3. Discuss finances candidly. A good marriage is also a good business partnership. You both need to understand and agree on your retirement budget.

4. Exchange and share roles. Exchanging or sharing some household chores will stimulate new ways of thinking about things and will help you understand one another better.

5. Develop new activities and routines. Allot time for chores, separate and shared activities, and favorite pastimes. But be flexible. One of retirement's greatest joys is making spontaneous decisions—to go for a picnic or to a movie, to take a walk or a weekend trip.

6. Respect privacy. Each of you should have a separate place that serves as your sanctuary. Whether it's a separate room, part of a room, the garage, attic or back porch, your sanctuary should provide you with privacy and be arranged to your liking.

7. Keep up your appearance. Don't dress up every day, but be neat. A good appearance indicates self-respect and respect for others.

8. Above all, communicate. Talk to one another; listen to one another. Select appropriate times to bring up problems, grievances, or suggestions.

Single Living

For many people today, single living is a satisfying option whether they are single throughout their lifetime or at a particular stage in their adult life. For those who prepare for it, single living offers many advantages, among them freedom to come and go as you like, to choose your own friends and interests, and to travel when and where you please.

For the majority of older persons, however, singlehood results from divorce or the death of a spouse. Divorced and widowed persons may encounter special problems in retirement such as loss of social identity and their role within the family. Divorced or widowed women may be deprived of income in later life if they haven't established their own careers.

If you are married, your retirement planning should take into account how each of you will manage, emotionally and financially, if the other partner is not there. Discuss candidly the possibility of each other's death, and to the extent possible, prepare for it. Each spouse should have a will; a written plan listing all assets, their location, and their distribution; a realistic estimate of income and expenses for

each surviving spouse; and a list of professional advisers to call on when needed. In addition, groups such as AARP's Widowed Person's Service offer emotional support to newly widowed persons through trained volunteers who themselves have been widowed.

Caught in the Middle?

Just when you expect to have more freedom, more privacy, more discretionary money, you may find you need to assume some financial responsibility for an aging parent or an adult child experiencing difficulties. You may even consider welcoming that parent or child into your home.

Should this happen, realize that you are not alone. This is a growing phenomenon as more and more people are living into their 80's and 90's, and as the cost of living and the divorce rate remain high. Be honest with yourself about your feelings toward your parent or child. Recognize and accept any negative feelings you may have. Do what you can do and what you enjoy doing for your parent or child, and enlist the help of others (siblings, friends, family, neighbors, community agencies). Though family members must sometimes make sacrifices for one another, no one person should feel over-burdened. Keep the communication channels open to discuss problems and feelings as they arise. And remember, you owe it to yourself to balance your needs and desires against those of others. If you have difficulty resolving a conflict between your needs and those of your parent or child, seek counseling through your religious adviser, local family services agency, or state or area Agency on Aging.

Bonds with the Young

Retirement can provide you with more opportunities to interact with young children and teenagers. Forming bonds with young persons will help you discover fresh ideas and new interests. You and your younger friends will gain from these shared experiences. Consider volunteering with local schools, recreation centers or religious organizations, or with groups such as Campfire Girls, Boy Scouts, Girl Scouts, or 4-H.

A successful retirement, a successful life, begins with a positive, expectant attitude. Develop such an attitude by getting involved with people and things outside yourself. And make up your mind to be happy today. Don't wait for an excuse to be happy. Just be happy.

Who Are You?
Who Would You Like to Be?

You are unique. No one else has your assortment of experiences, memories, characteristics. Get to know yourself. On a separate sheet of paper, write the numbers 1 through 12 down the left-hand side. Now answer the question, "Who Am I?" twelve times. Refer to your skills, training, personal relationships, family, jobs, goals, hobbies.

Then, on another piece of paper, answer the question, "Who Would I Like to Be?" Imagine you have been retired for two years and you are going to be introduced to a group of people who want to know what you do and what your interests are. Write two or three sentences for your introduction. Do *not* use the words *formerly, retired from,* or *spouse of.*

Think about who you are and who you want to be in the years ahead and begin taking steps to reach your goals.

Eight Steps to Happier Living

1. Face reality.
2. Establish warm relationships.
3. Develop outside interests.
4. Seek new adventures.
5. Guard your health.
6. Take pride in yourself.
7. Learn to relax and laugh often.
8. Look toward the future.

When you are well, there is a feeling of vitality and personal confidence. You feel in tune with your environment.

—Elwood N. Chapman
Comfort Zones

Your health will play a major role in your ability to achieve a rewarding retirement lifestyle. By keeping mentally, emotionally, and physically fit, you can enjoy your age—whatever it is—to the fullest.

Most of today's health problems result from lifestyle choices: poor diet, smoking, lack of exercise, reactions to stress, misuse of alcohol and drugs. You can enjoy and promote good health by choosing a lifestyle that includes good nutrition, exercise, rest, and a positive outlook on life.

If you haven't done much about your health to date, you will want to consult your physician first and will need to start slowly. But do begin. Decide now to take responsibility for your health. Develop an attitude of wellness; it will motivate you to live in ways that promote and maintain good health.

Exercising for Better Health

An appropriate exercise program offers many rewards: it strengthens your heart and lungs, increases your flexibility, curbs your appetite, relieves stress and anxiety, helps you sleep better, keeps you mentally alert, improves your appearance, creates in you a sense of well-being, and helps protect you against illness.

The best exercises are rhythmic, continuous, and vigorous. For example, brisk walking, bicycling, swimming, and dancing. To be truly beneficial, exercise must be at least 20-30 minutes long; frequent, at least three times a week, preferably on alternate days; gradual and progressive; and intense, increasing your pulse rate, making you breathe deeply and perspire. Your exercise program should include 5-10 minute warm-up and cool-down periods to help your body prepare for and recover from strenuous exercise. Light calisthenics, stretching, jogging in place and stationary bicycling are good warm-up/cool-down techniques.

Once you've checked with your doctor, look into fitness programs in your community. Clinics, senior centers, your local Y, and other community groups often offer low-cost or free programs, with specialists to help tailor a program to your needs.

Eating Well for Better Health

As you grow older, you will need the same nutrients you've always needed, but fewer calories. A good rule is to eat the recommended servings from the Basic Four Food Groups established by the National Research Council:

- *Milk Group*—milk, cheese, other dairy products (two or more servings daily);
- *Protein Group*—poultry, seafood, eggs, red meat and protein alternatives such as beans, nuts and seeds (two or more servings daily);
- *Bread Group*—whole-grain breads, cereals, other grain products (four or more servings daily); and
- *Vegetable and Fruit Group* (four or more servings daily).

A balanced diet, normally, will not require vitamin and mineral supplements. Check with your doctor before taking supplements. The body sometimes stores excessive amounts of certain vitamins, which can lead to harmful effects.

People of all ages would do well to cut down on certain substances in their diets: fats, sugar,

salt, and caffeine. At the same time, a balanced diet should contain fiber, or roughage, to help regularize bowel function and guard against risk of heart disease and cancer. To ensure enough fiber in your diet, eat whole-grain breads and cereals, fresh fruits and vegetables.

Osteoporosis. Osteoporosis is a reduction in bone mass caused by calcium deficiency. It most often afflicts postmenopausal women. This degenerative disease can be prevented by consuming adequate amounts of calcium and by exercising. The recommended daily amount of calcium for postmenopausal women is 1,500 milligrams, or the equivalent of six glasses of milk. You can, however, also obtain calcium from yogurt, cheese, fish canned with bones, turnips, collard greens, and kale.

Alcohol and Nutrition. Moderate drinking (one or two drinks a day) may aid digestion, relieve stress, and stimulate the coronary arteries. Nevertheless, as people grow older, their body changes the way it metabolizes alcohol. The same amount of alcohol tolerable when younger may become a problem in later life. Besides damaging the liver, brain, and heart, excessive drinking may lead to malnutrition because alcohol contains no nutrients and heavy drinkers often skimp on meals. Another potential problem comes from mixing alcohol with certain medications. Check with your doctor about whether you can drink alcoholic beverages while on medication.

Losing Weight. To lose weight and keep it off, you'll need to proceed slowly and steadily. And you'll need will power. Expect to lose one or two pounds a week. Your diet should be well balanced and nutritious. Select foods from each of the Basic Four Food Groups, cut down on portions, restrict your intake of sweets and alcohol, and follow an exercise program based on your age and condition. If you have more than a few pounds to lose, see your physician first.

Dealing with Stress

Stress is part of daily living. We all experience it. Some people even seem to thrive on it. Stress can result from something positive (a birth in the family) as well as something negative (a death). Unrelieved stress can cause lack of concentration, irritability, fatigue, loss of appetite, chronic anxiety, and depression. If untreated, it can also lead to ulcers, hypertension, heart attack or stroke.

It is important to determine the level of stress you function best at and how to cope with stress that goes beyond that point. Some tips for dealing effectively with stress are listed on this page.

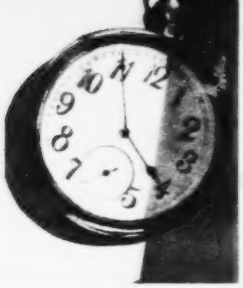
Tips for Dealing with Stress

1. Recognize stress—admit you feel it.
2. Identify the cause of the stress.
3. Take action. Decide what you want, then act. Indecision is one of the worst stress producers.
4. Accept the fact that you can't control every situation.
5. Seek advice from someone you can talk to openly.
6. Exercise.
7. Rest. Fatigue makes even small problems loom large.
8. Try mind-relaxing techniques, e.g., yoga, music, meditation, hypnosis.
9. Avoid self-medication and potentially abusive substances.
10. Laugh more.

Know Yourself / Assert Yourself

You are in charge of your health so learn to be more aware of your body and to recognize any changes or early warning signs of potentially serious health problems. It is important for you to be an assertive patient. Be sure to prepare before seeing your doctor or any health care provider. Be ready to describe your symptoms accurately, to provide all relevant background information, and to discuss all medications you are taking. If you have any doubts about treatments or procedures, let your health care provider know. Ask about alternative treatments, side effects of drugs and procedures, and costs. Write down all the questions you want answered and insist that they be answered in language you can understand. And remember, you are entitled to a second opinion if you have any doubts.

Older Americans are living longer, healthier, more active lives. Do all in your power to be one of them. Plan to be healthy now and in retirement, then act on those plans. Get in shape for your future.



Start now—do more of those things you dream of doing later . . . Retire before you retire.

—Allan Fromme
Life After Work

Free time is one of retirement's greatest rewards. Time well spent can enhance retirement by providing pure enjoyment; personal and spiritual growth; added structure to daily living; entertainment and adventure; greater self-esteem, ego satisfaction, and recognition; friendships; and opportunities to develop new skills and contribute to the pleasure, growth, and well-being of others.

Most people need some level of involvement and a sense of being valued by other persons. As Christopher Hallowell noted in his book, *Growing Old, Staying Young*, "The key to successful aging is involvement. People who age the best tend to be involved in various interests; they are involved with people; they are curious and they are flexible."

An important goal of retirement planning is to identify your particular needs and desires and then find activities that will help you satisfy them. Now is the time to start exploring options, testing alternatives, discarding the ones that aren't satisfying, and replacing them with others until you hit on the right combination for you. Now is also the time to estimate what those desired retirement activities will cost and figure those costs into your tentative retirement budget. In retirement, you may have loads of free time to spend and a fixed amount of money to spend during that time.

What follows is a sampler of the many activities you have to choose from. See if any of these possibilities appeal to you for some "dry runs" before retirement.

Crafts and Other Hobbies

Craft hobbies include woodworking, bookbinding, ceramic work, photography, printing, quilting, painting, sculpting, and more. You can enjoy crafts alone or with others, spend as much money and time as you like, do them for your own amusement, give the products of your efforts as gifts or sell them, or teach your craft to others. You can learn about any craft through adult education courses, classes at the local Y, art center or senior center, craft magazines and books, or local chapters of national organizations. The possibilities for crafts and hobbies are almost endless. Some other popular activities are gardening, writing, theater, music, cooking, collecting, and reading.

Adult Continuing Education

Older adults are returning to the classroom in record numbers. A wide variety of subjects is being offered in a wide variety of educational settings: high schools, colleges, universities, trade schools, correspondence schools, public libraries and museums, televised classrooms, religious and senior center groups, and institutes of specialized learning. Whether you want to learn Greek or computers, earn a high school diploma or a college degree or start your own business, all are valid reasons for returning to the classroom.

One innovative educational program, Elderhostel, offers persons age 60 and over summertime learning experiences in the sciences and liberal arts through 850 educational institutions in the United States and abroad. Spouses under 60 can also attend. For information on this unique program, write to: Elderhostel, 80 Boylston St., Suite 400, Boston, MA 02116.

Travel

Travel takes you out of yourself and involves much more than sightseeing. It means interacting with other people in other places. Planning the trip can be a meaningful activity in itself. And travel may contribute to expanding your other interests and activities such as reading, writing, and photography. Many organizations offer special tours and discounts to senior citizens. If you are traveling alone, you might want to investigate group and escorted tours, unless you prefer the challenges and pleasures of traveling alone.

Contemplation

You may find that you will receive more satisfaction from your free time in retirement if you regard that time as an opportunity to look anew at yourself and your life, to come closer to the meaning of your life in relation to the world around you, and to continue to grow personally, emotionally, and spiritually.

Volunteering

Volunteering can ease the transition into retirement by providing the same sense of identity, self-worth, and usefulness that many people derive from work. Through volunteering, retirees also can retain the structure, status, and social contact that work once provided. So consider the value of volunteering before you retire, even if it's only for a couple of hours a week.

You will need to decide what you want to do and what you can do. What skills or experience would you like to share with others? Are you a patient teacher? a good listener? a born salesperson? a talented engineer? an organizer? Every ability or gift has a volunteer application.

Once you have considered your own interests

and preferences, the next step is to investigate prospective organizations. Ideally, volunteering should be a mutually beneficial relationship. You contribute your talents, time, and skills to helping others; the volunteer experience helps you grow as a person. (It can also provide the opportunity to learn new skills and obtain new experiences that you can later put to use if you decide, at some point, to work in retirement.)

Many communities have volunteer centers that act as clearinghouses for nonprofit and governmental agencies looking for volunteers. To find a volunteer clearinghouse, look in the phone book under Volunteer Center, or such listings as United Way, Community Chest, or Council of Social Agencies. In smaller towns and rural areas, contact the Cooperative Extension Service or the educational branch of the U.S. Department of Agriculture.

The federal government's ACTION programs offer several volunteer opportunities (some with stipend) specifically for older persons: Foster Grandparents, the Retired Senior Volunteer Program (RSVP), and the Senior Companion Program (SCP). For more information on these programs, write: ACTION/OAVP, 806 Connecticut Ave., NW, Washington, DC 20525, or call (202) 634-9355.

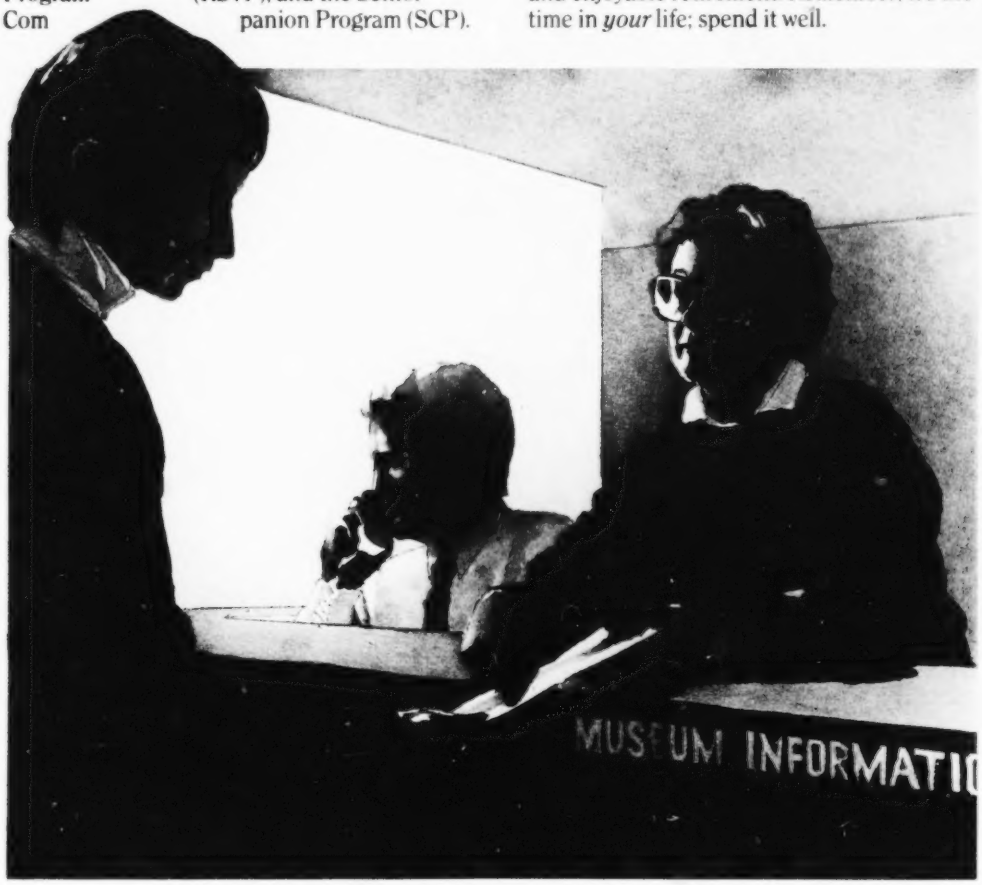
The American Association of Retired Persons (AARP) has a computerized Volunteer Talent Bank that matches the interests and skills of potential volunteers with the needs of AARP programs and those of other national volunteer organizations. The AARP Volunteer Talent Bank is open to anyone age 50 or over; you need not be an AARP member to participate. For an interest list and registration form, write to: Volunteer Talent Bank, AARP, 1909 K St., N W., Washington, DC 20049.

A New Way of Living

Your new-found freedom in retirement gives you the opportunity to fulfill the dreams of a lifetime. Think about the suggestions made here and others that have occurred to you, make specific plans to explore these ideas, then act on those plans. If you take positive steps now, you'll be well on your way to a meaningful and enjoyable retirement. Remember, it's the time in *your* life; spend it well.

Reap the Rewards of Time Well Spent By–

1. Making a daily schedule.
2. Planning activities around fixed points in the day, e.g., after breakfast, after lunch.
3. Committing to several activities and following through with them.
4. Involving others in your plans. Enthusiasm is contagious.



Work, to many retirees, is a good four-letter word. To some, work is the most meaningful part of retirement.

—Elwood N. Chapman
Comfort Zones

Work well chosen adds structure to our lives, keeps us stimulated, offers us challenges, and widens our social circle. For any of these reasons, plus the financial benefits, you may decide to continue working beyond the traditional retirement age or to return to work after being retired for a while.

Many people use retirement to launch a business of their own, fulfilling the dream of a lifetime. This may be the answer for you. For most retirees, however, the answer is probably part-time work for their current employer or a new employer. If you fall into this category, one of these less-than-full-time employment options might be well suited to your needs: *part-time work; flextime programs,* which allow individuals to arrange their work time around core work hours; *seasonal work; phased retirement,* which offers employees the chance to withdraw gradually from the work force; *job sharing,* whereby two workers split the hours, responsibilities, and benefits of one full-time job; *temporary work* through an agency; or *volunteer work,* which can help you develop skills, leads and contacts for paid employment in retirement. You may find that you will want to try more than one of these options as your needs and circumstances change.

What You Have to Offer

Most retirees who want to work in retirement, either full- or part-time, will have to convince a prospective employer that they would be a valuable addition to the payroll. This is a good time to take a look at what you, as an older worker, have to offer. You are healthier, more active, and have a longer life expectancy than members of any generation before you. You bring many positive attributes to the workplace: stability, reliability, maturity, conscientiousness, loyalty, highly developed "people" skills, good basic math, spelling and writing skills, and the flexibility developed over a lifetime of dealing with problems, crises, and change. You still have much to contribute to the workplace, the community, and the country.

Your Self-Directed Job Search

Most of us are not taught an effective way of choosing a field or of finding satisfying work in that field. The self-directed job search, briefly described below, can fulfill that important and growing need. In fact, this method has a 70-80% success rate in finding a job based on the person's needs, interests, skills and abilities. The self-directed job search succeeds because you, the job seeker, (1) clarify your values and goals, (2) inventory your skills, aptitudes, and interests, (3) identify what you want to do and determine if you are qualified, and, if not, how you can become qualified, (4) conduct a planned, focused job search, (5) market only the skills you want to use in your job, (6) target the exact job you want, (7) spend maximum available time job hunting, (8) continually increase your contacts, and (9) persevere until you achieve your goal.

Assessing Yourself. Self-assessment is crucial to the job search. It requires that you define your strongest, most marketable skills, assess your interests and unique qualities, and decide what is important to you in your work environment.

Setting Your Employment Goals. Next, you will need to set realistic employment goals for yourself. Choose two or three jobs you would like to do—jobs you are, or can become, skilled at, jobs that meet your income and other work-related criteria.

Assessing the Job Market. Then begin researching the organizations, businesses, and agencies that have positions like the one you want. Besides traditional job leads from the classifieds, personnel departments, and employment agencies, identify the hidden job market, where 80% of the non-entry-level jobs—the best jobs—are found. For example, check out business sections of newspapers; the yellow pages; the local Chamber of Commerce; former co-workers, supervisors, and employers; friends, relatives, and acquaintances; religious, community, and service organizations; college placement offices; professional journals; trade publications; and membership associations.

Developing Your Networks. The best jobs are filled by word of mouth. Make the most of the people you know and continually widen your circle of acquaintances. Besides informal networks of friends and acquaintances, you can make contacts through business and professional networks and support networks such as job clubs. The people in your networks are your key to success.

Conducting Informational Interviews. Informational interviewing means talking with people who know about the kind of work you think you want or the organization you think you want to work in. Through your research you will identify these people. Call them up and ask for a 20-30 minute interview to discuss the field you both are interested in. Let them know you are looking for information at this point, *not a*

job. Eventually, you will target the one or two jobs you really want.

Interviewing for the Job. In the job interview, your goal is to make your valuable qualities clear to your potential employer. Before your interviews, ask a friend to role play the interviewer while you run through your answers to typical interview questions (discovered through your research). Along with substance, appearance and body language are important in the job interview. Be sure to project a healthy, energetic image. You can research clothes, hairstyles and the business appearance of employees during your informational interviews and by examining fashion and business magazines.

Give the employer every reason to hire you: be on time, take care with your appearance, give a firm handshake, speak up and make eye contact, be confident and positive, and send a thank you note afterward.

Negotiating Salary. Once you get a job offer you want to accept, be prepared to discuss salary. Gather information about local rates for similar work from employment agencies and your network resources. If asked what you want, mention a pay range. Once the range is clear, it's up to you to convince your new employer that you deserve to receive the higher end of that range.

Minding Your Own Business

Consulting, franchising, at-home businesses of all kinds, real estate sales are some of the popular self-employment options. To start and run a successful small business, you need a good idea, energy, commitment, money, and good management skills. You must know how to keep good records, control costs, and market and distribute your product or service effectively.

Lots of research will be needed before taking the plunge. A wise approach would be to break into the business part time, e.g., by moonlighting for someone else while you continue to research your idea. Good advice on legal, tax, financial, and insurance matters is essential. The Service Corps of Retired Executives (SCORE), which is part of the Small Business Administration, offers valuable free advice to entrepreneurs. And the cost of other professional advice is a worthwhile investment in your future success.

If you plan to launch a full- or part-time business in retirement, whether in an office, a shop, or out of your home, talk your plans over with other family members. Your activities could affect them significantly, so it would be wise to involve them in the decision-making process from the start.

Tips For Writing a Resume That Will Help Get You an Interview

1. Be brief, preferably one page.
2. Be organized, with an easy to follow format.
3. Use professional quality typing or printing.
4. But don't get fancy with the choice of binding, paper colors, etc.
5. Say only what you need to say to describe your duties, responsibilities, and skills.
6. Make your descriptions results oriented. Use action verbs to describe your accomplishments.
7. Don't include irrelevancies: height, weight, age, sex, health, or marital status.
8. Put only positive information about yourself in the resume.
9. Proofread and edit your resume carefully.
10. Send your cover letter and resume to the person who hires for the position you want (find this out through your network, or by calling and asking).

There is no one solution to the housing needs of older people . . . because older people are as different—with as varied interests, needs, and dreams—as any other part of society.

—Michael Sumichrast et al.
Planning Your Retirement Housing

Housing and lifestyle go hand-in-hand, now and in retirement. Your lifestyle reflects your needs and preferences regarding yourself, other people, your community, and your use of time, space, and money. To help identify your retirement lifestyle, ask yourself these questions: How do I want to spend my time? What is important to me? How active am I in the community? How important are my current friends in everyday living and in times of crisis? How will my lifestyle change if my spouse is no longer with me? How important is entertaining? Will I want to go back to school or get a part-time job? Determining the importance of educational, medical, social, cultural, recreational, and employment opportunities is an important part of your retirement planning.

As we grow older, we may pass through three stages: the *active stage,* when we are working and able to care for ourselves and our home; the *slowdown stage,* when we may choose to no longer work full time, but still care for ourselves; and the *dependent stage,* for those who may need regular medical care. During the dependent stage, it is particularly important to have medical facilities, public transportation, and shopping facilities nearby. Planning for retirement includes selecting the housing and location that will meet your needs and be affordable now and well into your retirement.

Once you have defined your ideal retirement lifestyle, you can evaluate your current housing and location and potential housing and locations needs based on your lifestyle decisions.

Assessing Your Current Home

Take a long, hard look at your current housing. Will it suit you in early and later retirement? Will you be able to handle the upkeep of the yard and house? Is it energy efficient? Safe? Does it have a convenient physical layout, preferably with a bedroom and bath on the ground floor? Will you be able to handle the cost of taxes, insurance, and upkeep? Also assess your neighborhood and community based on current and expected future needs. Then analyze your needs and wants in terms of priority and affordability. You may find that you will have to make some trade-offs.

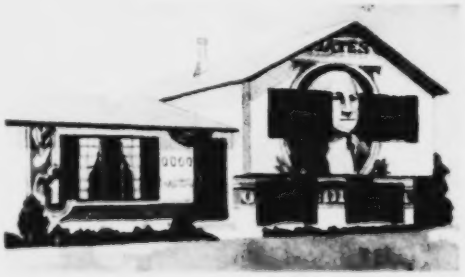
Using the Equity in Your Home. Your home may represent a considerable source of wealth that you will want to tap in retirement. Several equity conversion options are available for you to do just that.

Equity is the cash value of your property minus any claims against it. If your house is appraised at $120,000 and the balance due on the mortgage is $20,000, your equity is $100,000. The most common methods of home equity conversion are (a) reverse mortgages, (b) sale/leaseback, or life tenancy, (c) deferred payment loans, and (d) homeowner equity accounts.

In a *reverse mortgage,* the loan is paid to the homeowner in monthly payments, with the amount determined by the amount of home equity borrowed against, the interest rate, and the length of the loan. The loan is repaid at a scheduled time, or sometimes when the homeowner dies or sells the home.

In a *sale/leaseback or life tenancy arrangement,* the owner sells the property to an investor. The owner retains the right to live in the house for life as a renter. The investor pays the owner in monthly installments over an agreed-upon period and also covers such obligations as home insurance, taxes, and repairs. Usually, the investor will purchase a deferred payment annuity for the owner to provide the owner with continued monthly income once the house has been paid for by the investor.

A *deferred payment loan* is generally provided to low-income persons at a low-interest rate by a local government. It permits homeowners to defer payment of all principal and interest until the homeowner dies or the house is sold.



Homeowner equity accounts are now being offered nationwide by brokerage houses and banks. This option allows the homeowner to set up a line of credit secured by a lien against the home. The maximum amount of credit would equal 70% of the equity accumulated in the house. The homeowner can draw on this credit by using a credit card or by writing a check. The loan must be repaid over a specified time that begins when the loan is secured. Payments are not deferred.

CAUTION is the word: these and other financial arrangements affecting your housing could endanger your financial resources if not understood completely and chosen wisely. Good legal, tax, and financial advice is essential.

Possible Tax Breaks for You. If you decide to sell your family home outright, be aware of two important legal matters. (1) You can sell your home and postpone being taxed on the profit from the sale (a) if you buy or build and occupy a new house within two years before or after the sale of your old house and (b) if the price you pay to buy or build your new house is at least as much as you were paid for the old one. (2) Homeowners age 55 and over may be eligible for another tax break too. If they have used their house as their principal residence for three of the five years preceding the sale, they have the once-in-a-lifetime right to declare tax-free up to $125,000 of profit gained on their house. If they reinvest the proceeds in another house and again postpone payment of taxes, they can claim this capital gains exclusion at a later date. There are many intricacies to this tax break; for example, if you marry and your new spouse has already used this privilege, you can't. Check with a qualified tax consultant for the latest tax information and details.

Changing Housing/Changing Locale?

Your lifestyle review may suggest a change of housing and perhaps a change of climate or locale as well. If so, apply the same methodical analysis you used in examining your lifestyle and current housing to any potential relocation home or area.

More variety exists in the kinds of living arrangements than ever before. Besides the single-family home in the general community, you might want to consider adult or retirement communities, manufactured/mobile homes, condominiums, cooperatives, and rental apartments. Besides these choices, lifetime care housing, which provides room, board, recreation, and medical care, answers the housing needs of some retirees.

If you are considering any of these "special" retirement housing options, get good legal advice. And ask a lot of questions, such as: What premises will I occupy? What services and maintenance can I expect? Are costs subject to an increase and how? Who pays for the recreational facilities? common areas? What are the rights and restrictions regarding visitors, parking, pets, children, alcoholic beverages, and reselling the property? What are the refund arrangements? Is there a trial period?

Regarding a new locale, experience it at all times of year, not just during the tourist season. Find out about the local cost of living, the available services and facilities, radio and television reception, local public transportation, airport and train facilities, and community and religious organizations. It would help your research to subscribe to the local newspapers before moving to inform yourself about local businesses, employment opportunities, crime, social life, and real estate values.

Determine how you want to live and where you want to live, then balance your dreams against your pocketbook by doing some realistic financial planning.

What's Your Retirement Lifestyle?

In planning for their retirement, Russ and Joan Ashland listed the geographical area and type of housing each prefers and their reasons. Here are their separate lists:

Russ: 1. Move to the suburbs. 2. Small town. 3. Near good golfing. 4. Small house/mobile home. 5. Retired friends nearby.

Joan: 1. Stay in city. 2. Many friends in town. 3. Married children nearby. 4. Yard for gardening. 5. Can convert house to two-family and rent.

Have you and your spouse (or companion) prepared similar lists of your own? Try it. Record your individual housing objectives on separate sheets of paper, then combine them into one, longer list. Differences can be resolved as you accumulate more information and explore the options.

Procrastination can be the greatest deterrent to reaching your goal of financial independence. Time can be your greatest ally . . . Make "Do It Now" your slogan for the rest of your life.

—Venita VanCaspal
The Power of Money Dynamics

After defining your lifestyle goals for retirement and setting priorities among them, you will need to determine where the money will come from to achieve them. Your first step will be to develop a budget for now, for early in your retirement, and for later in your retirement. After comparing your income and expenses at each of these points, you will be able to estimate what additional income you will need to maintain your chosen lifestyle. Now is the time to find out if financial trouble lies ahead and take action to forestall that trouble and protect your retirement dreams.

Where Will the Money Come From?

The major sources of retirement income are pensions and profit-sharing plans, do-it-yourself pensions, social security, part-time work, and investments.

Pensions and Profit-Sharing Plans. Your future well-being requires that you thoroughly understand your pension plan. How many years does it take to be fully vested, that is, how long do you have to work to receive benefits? Most often, an employee becomes fully vested after 10 or 15 years. What happens to your pension if you are laid off or take early retirement? Perhaps another year or two of work would increase your pension considerably. Will your pension be reduced by the social security benefits you receive? What survivor options are available? How will they affect your monthly benefit?

What withdrawal options does your pension plan offer? You may have to choose between a lump sum payment versus one of a variety of annuity plans. If so, this decision will be crucial to your long-term financial welfare. Both options—lump sum and annuity—have advantages and disadvantages that you must weigh in light of your particular situation.

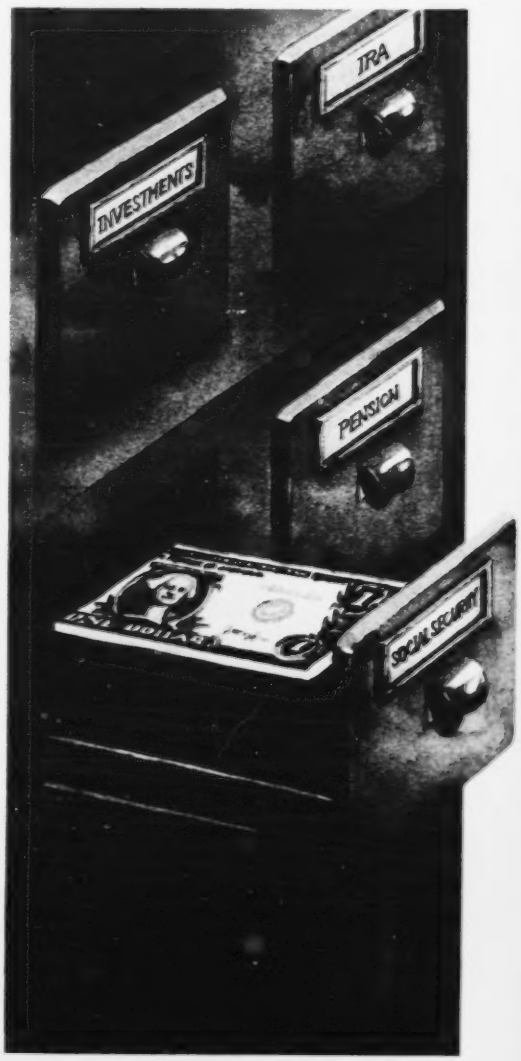
Your employer is required by law to provide you with a booklet explaining your pension plan. After reading it, talk to your benefits administrator about how the plan applies to you.

Do-It-Yourself Pensions. If you have income from work, you are eligible for an Individual Retirement Account (IRA). If your employer offers a 401(k) plan, you can take advantage of that, too. And if you have income from self-employment, you are eligible for a Keogh plan, plus an IRA and a 401(k).

These do-it-yourself pensions help you three ways: (1) under certain conditions the part of your income that you put into the plan may not be taxed, (2) interest or dividends earned by your plan accumulate tax-free during your working years, and (3) you normally will be in a lower tax bracket when you start drawing on your do-it-yourself pension.

For each option, check current tax laws to determine the amount you can invest and the withdrawal requirements, including penalties for early withdrawal. For the 401(k), also determine if your contributions will affect your pension from your employer, since such pensions are usually figured on taxable earnings during the final years of employment.

Social Security. You can begin receiving social security benefits at age 62. But if you retire before age 65, you will receive a smaller monthly benefit. And any subsequent cost of living increases are based on the reduced benefit.



If you continue to work after beginning to receive social security benefits, you will lose some or all of your benefits if your income from work exceeds a certain annual exempt amount. For 1987, persons between 65 and 69 may earn $8,160 without losing benefits. Persons under 65 may earn $6,000 without losing benefits. (There is no earnings limit for people age 70 and over.) If you earn more than the applicable exempt amount, you will lose $1 in benefits for every $2 earned above the limit. (Your nonwork income such as interest and dividends is not included in the calculation of earned income.) In 1990, the rule changes: if you are 65–69, you will lose $1 in benefits for every $3 earned above the exempt amount.

Once you have started receiving social security benefits, if your income (from various sources) exceeds a certain amount, you may have to pay federal income taxes on a portion of your benefits. The threshold amounts are $25,000 for individuals, $32,000 for couples filing joint returns, and zero for couples filing separately. Ask your local social security office to explain how "income" is figured for this purpose. Also ask for a "Request for Statement of Earnings" card. If you fill it out and mail it in, the Social Security Administration will send you a statement showing the social security earnings that have been credited to your social security number to date. These records should be verified every three years.

Income from Work in Retirement. To find out your actual income from work in retirement, you will have to scrutinize both the potential income and the potential expenses involved. From your expected income, subtract the costs of clothing, transportation, meals, fees, etc.; income taxes; social security taxes; and any loss in social security benefits. Then balance your net income against the psychological benefits of working before making your decision as to whether or not to work and how much to work in retirement.

Income from Investments. This important source of income is discussed in depth on page 15.

Other Sources of Income. Your *home equity* can be a source of considerable wealth. Of course, you can sell your home, buy or rent a more modest home, and then use the remaining cash for other retirement expenses or investments. Also consider reverse mortgages, sale/leaseback arrangements, and other methods for tapping your home equity while remaining in your home (see page 10 for more information on this topic).

Nonproductive assets such as coins, stamps, china, silver, and crystal can be converted into cash that can then be invested to create additional retirement income. Items you can't sell can be donated to charity and deducted on your tax return if you itemize. Every dollar you save in income taxes is a dollar you can spend or invest.

Medicare, a two-part insurance program operated by the federal government, limits your financial obligations because you won't have to put your own money toward items covered by Medicare. Part A, the hospital insurance plan, is available to most Americans age 65 and over, whether or not they are retired. You should file for coverage three months before reaching 65. Disabled persons may qualify before age 65. Part B, the medical insurance plan, is a voluntary program that covers certain doctor's services and other items not covered under part A.

Once you retire, it may be feasible for you to cut back or eliminate your *life insurance*. The money you save on premiums can then be used for other retirement expenses. With professional advice, you may want to evaluate various options: discontinuing coverage, converting to annuities, changing to paid-up insurance for continued protection but at reduced face value, cashing in some policies and using the proceeds for income-producing investments, or borrowing against the loan value of certain policies to buy securities. Your first consideration, of course, is whether your spouse, children, or other loved ones will need your life insurance protection.

You may be in line to receive an *inheritance* or the proceeds of someone else's life insurance. To the extent that you are comfortable anticipating this income, you may take it into account in planning your long-range financial future.

Where Will the Money Go?

Now let's look at the expense side of retirement planning. Consider carefully each category of retirement expense: both the routine, essential items like food and utilities and the desirable, but optional, big-ticket items like a tour of Europe. Determine how much you are now spending in each category, how much you expect to spend in your early and later retirement years, how much will be spent if you or your spouse or companion dies, and how much flexibility you have in adjusting these expenditures. Also think about how you can cut down or substitute in each category.

For the big-ticket, optional items, write each one down, put a price tag on it, and indicate where the money will come from to obtain it.

Sources of Income for Individuals Age 65 and Older:

Social Security: 44%

Pensions, annuities, dividends, interest, rent, and gifts: 43%

Earnings: 10%

Supplemental Security Income and public assistance: 3%

Source: U.S. Census Bureau, 1985

For example, you can research the tour of Europe now; find out what it costs today; estimate what it will cost when you want to go; and plug that amount into your tentative retirement budget.

Some of the major retirement expense categories to analyze are:

○ *Housing:* Compare costs of new retirement housing with the costs of maintaining or renovating your current housing to make it suitable for your retirement.

○ *Medical and Dental Expenses:* On the average, Medicare covers about 40% of health care expenses. Investigate supplemental health coverage now. Perhaps your employer's group health insurance can provide you with supplemental insurance in retirement. Also look into Health Maintenance Organizations (HMO's) in your community. For a set monthly fee, they usually cover most office visits and hospital expenses, though you often must choose a physician from a list of doctors participating in the program.

○ *Other Insurance:* Continue insurance protection on your automobile, home, personal property, and public liability.

○ *Transportation:* If you have two cars, consider the savings you would reap by selling one of them: the cash from the sale plus savings on gasoline, maintenance and repairs, and replacement items like tires, insurance, and registration fees. Before deciding, see if public transportation in your retirement location can fill most of your needs. And discuss this change with anyone else who would be affected by it.

○ *Food, Clothing, Personal Items:* Living on a relatively fixed income provides many retirees with a strong incentive to apply various cost-cutting devices: unit pricing, discount coupons, generic brand products, special sales and seasonal sales, and buying in bulk.

○ *Travel, Entertainment, Hobbies:* Look for savings on off-hours and out-of-season travel; "twofers"—two tickets for the price of one; and senior citizen discounts that are available for many forms of travel, accommodations, and entertainment.

○ *Gifts and Contributions:* If you need to cut back here, consider substituting your time and personal services for monetary gifts.

○ *A Stake for Children or Other Loved Ones:* Set guidelines for your giving and monitor them with an eye toward changing your plans if these expenses begin to cut too deeply into your basic needs. Your first obligation is to yourself.

○ *Dependent Care:* If you think you may need to contribute financially to the care of someone else, do some basic planning for it now. Discuss the potential costs with doctors, nursing home administrators, and insurance agents. All are parties involved adequately insured? With whom can such responsibilities be shared?

Coping with Inflation

Inflation cannot be predicted, nor can it be ignored in your retirement planning. Retirees, in many ways, are less susceptible to the effects

of inflation than are younger families. They usually don't have as many mouths to feed or bodies to clothe. On the other hand, retirees' income may be less flexible than income from wages, and they may face increased health-related expenses.

It pays to keep a sharp eye on the trends that signal an increase in the inflation rate. One such indicator is the prime rate, the interest rate major banks charge major borrowers. If the prime rate moves upward two or more times in a six-to-twelve month period, this often signals across-the-board price increases.

The Dollar Diet

Is there too much month left at the end of your money? Do you wonder where your money disappears to? Find out by putting yourself on the dollar diet:
1. Carry a pencil and notebook with you at all times.
2. Every time you spend money for any purpose, write the item and the amount down in your notebook.
3. Do this for two or three months.

After that time, you will:
1. Know where every penny of your money is going.
2. Develop the habit of reconsidering each potential purchase.
3. Be able to reduce many of these expenditures.

Don't wait until retirement to put yourself on the dollar diet; start today.

Bridging the Gap Between Income and Expenses in Retirement

To achieve your realistic retirement goals and peace of mind, you may need to supplement your retirement income with income from investments. Two ways exist to put your money to work: lending and buying (debt and equity).

The Debt, or Money, Market: When you lend money, you receive a legal promise of repayment at some future time plus a promise that you will be paid a fee, known as interest, for the use of your money. This form of putting your money to work is the debt, or money, market. Some major options to consider in the debt market are:

○ *U.S. Treasury and Agency Securities:* These securities are considered to be highly safe investments. They offer a choice of minimum investment amounts and maturities to meet your investment needs. U.S. agency obligations are not direct obligations of the U.S. Treasury, but generally are considered to be as safe. Some of the more common agency issues are Federal National Mortgage Association (FNMA), Federal Home Loan Bank Board, and Federal Land Banks. Maturities vary, as do minimum denomination. U.S. Savings Bonds (Series HH and EE) offer lower denominations and are very safe investments. Interest earned on EE bonds is exempt from state and local income taxes and is not subject to federal income taxes until the bonds are cashed in. When redeemed, EE bonds pay interest in a lump sum. HH bonds pay interest semi-annually; the interest is taxable on federal returns in the year earned. HH bonds are not subject to state or local taxes. EE bonds can be exchanged for HH bonds.

○ *Corporate Bonds:* Offered by many American companies, corporate securities vary considerably in quality. They are graded according to their financial backing by bond-rating services, the highest rated bonds (AAA) usually having lower yields than those farther down the rating scale. Their market price fluctuates: If you decide to sell your bonds, the market price might be higher or lower than what you originally paid for them. At maturity, bonds are redeemed at face value.

○ *Municipal Securities:* Tax-exempt bonds issued by municipalities and states usually carry lower yields than taxable bonds, but they can help reduce the tax bite if you are in a high tax bracket. Municipal bonds are also rated as to quality, and their value tends to fluctuate over the years. Minimum denominations vary. These bonds provide little or no benefit to lower tax bracket investors—an important consideration for retirees.

○ *Savings Plans:* Besides the traditional *passbook savings account*, banks may offer *certificates of deposit* (CD's), *money market deposit accounts*, and *interest-paying checking accounts*, among other investment opportunities. CD's have a variety of maturities and compounding schedules, and fixed or fluctuating interest rates. Also determine penalties for early withdrawal. Money market deposit accounts usually offer higher interest rates than passbook accounts but may have restrictions such as limited check-writing privileges and minimum balances. These accounts, which are also offered by savings and loans and credit unions, are insured by the federal government.

○ *Money Market Mutual Funds:* These funds pool investors' money to invest in a wide variety of things, e.g., government securities, certifi-

How an "Average" Older (65+) Urban Household Spends Its Money:

Housing: 33.2%
Food: 16.1%
Transportation: 15.4%
Medical Care: 10.2%
Clothing and personal care: 6.7%
Contributions: 5%
Entertainment, Education, Reading: 5%
Other Expenses: 7.9%

Source: U.S. Bureau of Labor Statistics, 1987

cates of deposit, commercial paper. Some funds offer check-writing privileges and usually do not have an early withdrawal penalty. Most of these funds are not insured. Their yields can change daily.

○ *Annuities:* Annuities are contracts sold by insurance companies or other financial institutions. They guarantee the buyer a fixed income for life or a certain number of years. Many kinds are available, including those that cover both spouses. The main advantages are steady income and freedom from managing your capital.

The Equity Market: Buying something is the other way to put your money to work. You hope that what you buy can be sold for more than you paid for it. In addition to a hoped-for profit on a future sale, the thing owned may sometimes generate income, e.g., dividends from stocks and rental income from real estate.

○ *The Stock Market:* Buying shares of stock means you're buying a small piece of ownership in a company. Stocks are shares that increase or decrease in value as the company's net profits grow or decline. Stocks may pay dividends from profits. There are preferred stocks and common stocks. Preferred stocks have a more assured and more generous dividend return, but not as much growth potential as common stocks. Common stocks range from highly conservative to highly speculative.

○ *Mutual Fund:* Mutual funds offer a means for investing in stocks in a diversified way. You buy shares in a professionally managed fund that invests in various kinds of securities according to the fund's objectives, which range from highly conservative income funds to growth funds to highly speculative growth funds.

○ *Real Estate:* If you have the know-how and energy, you might want to launch a real estate venture of your own. If not, you can choose from package deals offered by brokerage firms or other promoters. Any real estate venture involves risk. It's wise to investigate these deals very carefully and to obtain professional advice before commiting yourself.

○ *Commodities, Metals, Gems, and Collectibles:* These items represent pure speculation and are therefore very risky. You are placing a bet on the future value of things such as pork bellies, corn, foreign currencies, and precious metals. Speculating in these items means that your money is tied up and earning nothing in interest, dividends, or rent. You are gambling totally on price appreciation.

Some Investment Questions to Consider

Each and every investment option should be analyzed for these six characteristics:

1. Yield. What yield, or return, can you reasonably expect on your investment after commissions, service charges, other fees, and taxes are subtracted?

2. Safety. How safe is your principal?

3. Liquidity. How quickly can you cash in your investment? Is there a penalty?

4. Guarantees and Insurance. Are your yield and principal guaranteed? By whom or what?

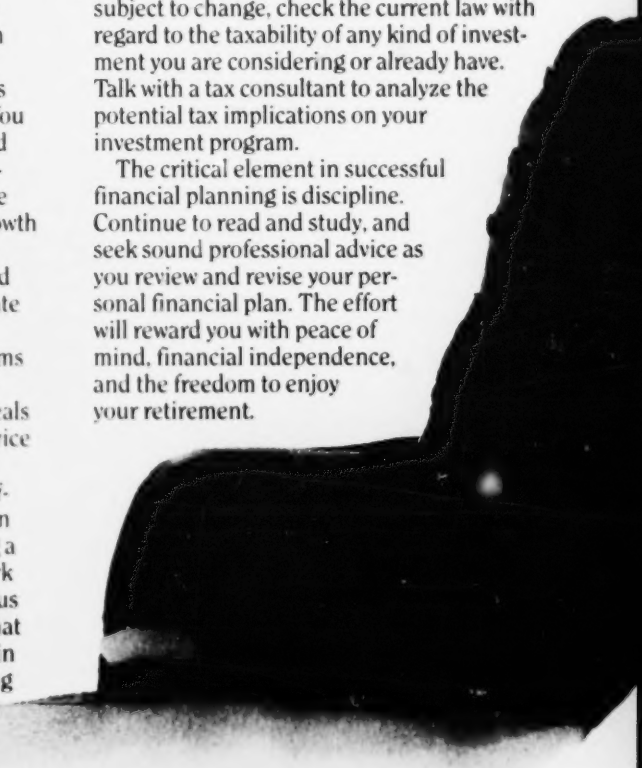
5. Term. Is the term of the investment in line with your future needs? Or will you be tying up money that you'll need?

6. Inflation Hedge. To what extent will the value of your investment keep up with inflation?

Income Taxes and Your Investments

To know your true investment yield, or return, you must calculate what portion of those earnings will go to income taxes (federal, state, and sometimes local). Income from investments may be subject to ordinary income rates or long-term capital gain rates. It may be tax-deferred income, tax-exempt income, or tax-sheltered income. Since tax laws are always subject to change, check the current law with regard to the taxability of any kind of investment you are considering or already have. Talk with a tax consultant to analyze the potential tax implications on your investment program.

The critical element in successful financial planning is discipline. Continue to read and study, and seek sound professional advice as you review and revise your personal financial plan. The effort will reward you with peace of mind, financial independence, and the freedom to enjoy your retirement.

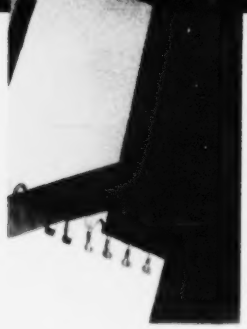


Dipping Into Your Principal

If you invest $10,000 at 7% interest, compounded quarterly, you can withdraw the following monthly amounts for the stated number of years, after which the $10,000 will be depleted:

Monthly Withdrawal	Length of Time
$116	10 years
89	15 years
77	20 years
70	25 years
59	Indefinitely; you are drawing interest only.

A starting lump sum of $10,000 actually yields $21,000 if withdrawn over a 25-year period: $70 a month *times* 300 months *equals $21,000. You can figure monthly withdrawals based on any lump sum investment. Multiply the figures above by the number of tens of thousands of dollars in the starting lump sum. For example, for $25,000, multiply the above figures by 2.5. On a 25-year withdrawal plan, the monthly withdrawal is: 2.5 times* $70 *equals* $175. The withdrawal amount will differ with different interest rates.



The creation of a sound estate plan can and should be an integral part of one's living plan. It's part of your goal-setting and goal-reaching endeavors.

—Bob Rosefsky
Money Talks

Your estate is the sum total of all that you own, plus all that is owed to you, minus all that you owe. Many people are surprised to find just how large their estates are when they include such assets as their home and their life insurance.

During your lifetime, the proper management of your estate is essential if you are to maintain the lifestyle and financial security that you want.

Upon your death, your estate becomes a legal entity in its own right. The estate then consists of all the assets and debts you had while living. Depending on the extent of your estate planning, the estate may also consist of your instructions regarding the distribution of your assets, payment of your debts, and settlement of personal matters.

If you leave no binding instructions—if you die *intestate*—the laws of your state will determine how your assets are distributed. For your instructions to be legally binding, they must be set forth in proper legal fashion. A well constructed will is the cornerstone of your estate planning. It not only indicates who gets what but can also provide for various methods of managing funds, minimizing taxes, naming guardians for children and the elderly, and providing incentives such as a special gift when the recipient graduates from college.

There are two key elements in estate planning: (1) arranging your assets so that they can be distributed with maximum ease and minimum cost and (2) setting forth binding instructions so that your assets are distributed and your other wishes are carried out. Step one involves understanding your present and future financial situation and making modifications as needed. Step two requires that you define just what it is you want to accomplish now and after your death. Both of these steps will require professional assistance.

Where to Go for Help

Estate planning requires, time, study, and expertise. A team approach to estate planning is usually advisable. The members of your team might be a lawyer, a tax accountant, a banker, and an insurance agent.

The lawyer can help you determine which devices—wills, trusts, gifts, etc.—would be best for protecting and eventually passing along your wealth. The lawyer would prepare the relevant documents and see that they are properly signed and witnessed. A tax accountant would help you minimize your estate tax liabilities and provide information on tax breaks after retirement. A banker's advice can be useful in developing your overall plan and in considering trust arrangements. An insurance agent can help you review your life and health insurance needs and your liability, homeowner, automobile, and liability insurance needs, all of which help to protect your assets.

You might also want to consider using a financial planner. This professional advises on all aspects of your estate: taxes, investments, insurance, trusts, etc. Thus, you deal mainly with one person who then consults with other professionals as needed.

What Does Professional Advice Cost? Lawyers may set their fees according to the time devoted to the job, the difficulty of the job, your ability to pay, or a combination of these factors. Many lawyers charge by the hour, including research and consultation time. Court costs, filing fees, and other out-of-pocket expenses are usually added to the professional fee a lawyer charges.

Time is a key element in legal fees. Wasting a lawyer's time can be costly. Find out in advance what information you need to bring so that you will have all the facts and figures at hand when you see your lawyer.

Accountants generally charge on a per hour basis. In some cases they may charge a set fee. Insurance agents usually don't charge for their advice. A good agent should be willing to talk to you for a reasonable time knowing that you are comparison shopping. Remember that insurance agents earn commissions by selling policies. Bankers normally do not charge for general advice either. If you are considering a trust arrangement, however, ask your banker about the charges for that service.

A financial planner may charge anywhere from $500 to $5,000 or more for a master financial plan. Some financial planners will provide advice on specific topics for $50 to $150 or more an hour. Some financial planners charge a set fee for their work, but others earn their living from commissions on financial products such as stocks, bonds, and insurance. Planners working on commission may be less objective in their recommendations.

Of course, you should be cautious in your selection of advisers. Shop around. Ask satisfied friends and business associates for recommendations, then interview potential advisers thoroughly. Be sure that you feel comfortable with them, that you understand how they operate and how they charge for their services, and that they understand your expectations and objectives.

Estate Planning Devices

There are a number of ways to distribute your estate:

○ By giving it away as *gifts* during your lifetime; there are limitations here however (see page 20).

○ By passing it via a *trust*, either during your life or on your death.

Trusts may be *living* or *testamentary*, *revocable* or *irrevocable*. A living trust is set up and takes effect while the parties are alive. A testamentary trust is created by will and takes effect upon death. For example, your life insurance proceeds could flow into a trust fund upon your death and be managed by the trustee. A revocable trust can be canceled by the person who established it. An irrevocable trust cannot be canceled.

○ By passing it along through *joint ownership*. There are several kinds of joint ownership: community property, tenancy in common, tenancy by the entirety, and joint tenancy with right of survivorship. This method of passing wealth can be complicated. Check your state laws and get sound advice before entering into any kind of joint ownership arrangement.

○ By passing some wealth through *life insurance*;

○ By distributing your estate via *a will*.

Where There's a Will, There's a Way. Besides distributing property, a will can also be the most effective way of assuring that other final wishes—guardianship, professional management, special bequests—are carried out. If you are married, both you and your spouse should have coordinated wills because each of you may have property that you would like to dispose of separately. Also, if one spouse inherits the other spouse's estate but does not have a will of his or her own, the second estate may not be distributed as wished when the surviving spouse also dies.

Only about half the states recognize "homemade" wills. Because many such wills contain imprecise language they may be successfully attacked in court and declared invalid. For this reason, it is best not to attempt a do-it-yourself will.

How Estate Taxes Work

Though most federal estate taxes have been phased out, the following tax liabilities are possible:

○ The federal goverment levies a unified estate and gift tax on certain transfers of wealth between persons other than spouses.

○ Some states also levy an estate tax.

○ Some states levy an inheritance tax, payable by the recipient.

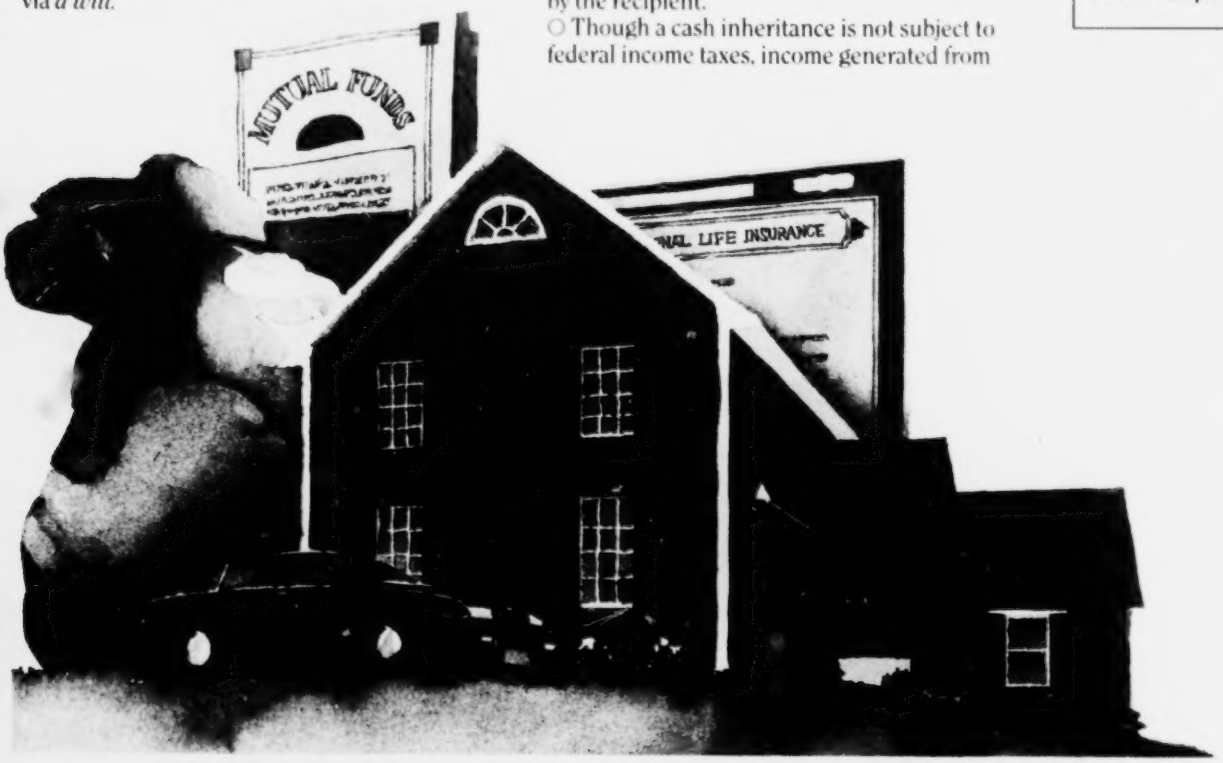
○ Though a cash inheritance is not subject to federal income taxes, income generated from

Pointers About Joint Bank Accounts

○ *The money in a joint account legally belongs to either of the joint owners, so either one can empty the account.*

○ *Upon the death of one owner, each spouse is assumed to own half of any joint asset. But the surviving co-holder spouse may find the account frozen pending processing of the decedent's estate. Check the laws in your state.*

○ *Co-holders who are not married should realize that the total amount in the joint account is considered to belong to the first person to die, and the total is counted in the valuation of that person's estate for estate tax purposes.*



The Equal Credit Opportunities Act (ECOA) requires that women be given equal footing with men of similar income and credit history when being considered for creditworthiness. Besides provisions enabling married women to establish credit histories in their own names, this law states that: (1) Should you become divorced, separated, or widowed, creditors cannot automatically terminate your credit, though they can ask you to reapply. (2) If you are nearing retirement, creditors cannot take away your credit cards, as some companies have done in the past.

investing the inheritance of profit generated from selling it is taxable.
○ Profits from the sale of inherited property or earnings generated from inherited property may be taxable as income.

The federal unified estate and gift tax is levied on "taxable transfers": money, real or personal property that a person has passed along either in the form of trusts and gifts while alive or through estate distribution after death.

You can make gifts of up to $10,000 per person per year to as many persons or organizations as you wish without having to pay federal gift taxes. If spouses join in making a gift, the annual tax-exempt limit per recipient is $20,000. Gifts of any amount between spouses are not taxable. If you make gifts in excess of the tax-exempt allowances, the excess will be considered a taxable transfer and may be subject to tax.

The *gross estate* generally consists of all that the individual owned, plus all that was owed to him or her. From the gross estate are subtracted the debts of the decedent and expenses such as funeral and burial costs, charitable bequests, and the costs of administering the estate. The remainder is the *taxable estate*.

The amount of the taxable estate can be reduced by the *marital deduction*, which is that portion of the estate that is left, legally, to the surviving spouse. As of 1982, there are no limits on the amount of the marital deduction. However, you should review any pre-existing will to make sure it reflects the new law.

After the marital deduction, up to $600,000 of the remaining taxable estate will be tax exempt.
IMPORTANT: Tax laws are under constant review. Always get the latest information from a tax attorney or tax accountant.

Estate Planning Checkups

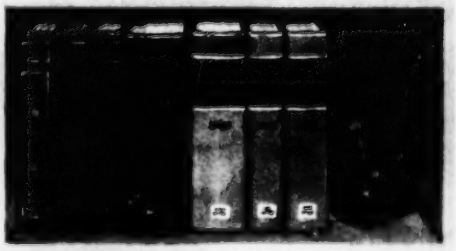
Once you've made a will, don't put it away and forget about it. Review it regularly to make sure that a revision of the tax laws, a change in your status or that of your heirs won't affect the terms of your will. And remember, even though your estate is not large enough to be taxable now, it may grow to a taxable size through inflation, newly acquired assets, increased income, receipt of a windfall, or some combination of these possibilities.

Other Legal Considerations

Though most of this section has been concerned with estate planning, there are many other activities and situations that require some understanding of the law and some professional assistance. You may wish to engage a lawyer's help if you do any of the following: make a contract, obtain or attempt to obtain consumer credit, set up a business, have questions or problems involving pension rights, enter into a late or second marriage, care for an ill or incompetent person, or become incapacitated yourself. As you near retirement, these and other legal affairs and obligations can become more complicated and your margin for error narrowed. Your rights and your financial security are at stake; make every effort to protect them to the fullest.

If You Think You Can't Afford a Lawyer

○ Contact your local legal aid society.
○ Check local law schools. Some law schools have legal clinics; students, under proper supervision, provide legal assistance.
○ Contact the government. Various governmental agencies oversee aspects of our daily affairs, such as wage and hour boards which see that fair labor practices are observed. Other agencies protect our rights in areas such as banking, commerce, and trade.
○ Make use of small claims court if necessary.
○ Check local human resource agencies. If you are receiving assistance from a public agency, that agency might be able to provide you with legal services.
○ Investigate the availability of legal help through organizations that work to protect the rights of older persons, women, and minority groups.



Comfort Zones: A Practical Guide for Retirement Planning, Elwood N. Chapman. $12.95 plus $1.25 shipping and handling. Los Altos, CA: Crisp Publications, 1985. A practical learn-as-you-go guide to a better retirement, including chapters on use of time, wellness, support systems, financial management, personal fulfillment. Send check or money order to: Crisp Publications, 95 First St., Los Altos, CA 94022.

Making It Through Middle Age: Notes While in Transit, William Attwood. $12.95. New York: Atheneum Publishers, 1982. Amusing, exciting, truthful, and inspirational interpretations of middle age by a former *Newsday* editor and U.S. diplomat. Send check or money order to: Scribner's Customer Service, 866 Third Ave., New York, NY 10022.

Growing Old, Staying Young: What Medicine and Science Are Doing to Make Aging a Natural Part of a Healthier and Longer Life, Christopher Hallowell. $17.95. New York: William Morrow, 1985. Predicts a resurgence of older persons as a mainstream factor in American life and changing cultural perceptions of older Americans. Available in major book stores.

The Complete Retirement Planning Book, Peter A. Dickinson. $10.95. New York: E.P. Dutton, 1984. Provides information on social security, pensions, estate planning and wills, how to plan for future financial needs, and how to enhance income. Send check or money order to: E.P. Dutton, 2 Park Avenue, New York, NY 10016.

What Color Is Your Parachute? Practical Manual for Job Hunters and Career Changers, Richard N. Bolles. $8.95 plus $1.00 for handling. 1986. Describes in detail the innovative job search; includes exercises. Available in most bookstores or order from: Ten Speed Press, P.O. Box 7123, Berkeley, CA 94707.

The following books are available in local bookstores or from AARP Books, % Scott, Foresman, and Company, 1865 Miner Street, Des Plaines, IL 60057-0720. Make check or money order payable to AARP Books. Include $1.75 per order for shipping and handling.

Think of Your Future: Retirement Planning Workbook, AARP Worker Equity Dept. 1986. Single copy $24.95 ($18.25 to AARP Members). An in depth personalized approach to retirement planning. Provides practical information and action oriented exercises to plan for the future.

How to Plan Your Successful Retirement, AARP Worker Equity Dept. 1988. $9.95 ($6.95 to AARP members). Offers important information on financial and legal matters, housing concerns, health and fitness consideration, estate planning and more. Also provides worksheets for personalized planning.

Travel Easy: The Practical Guide for People Over 50, Rosalind Massow. 1985. $8.95 ($6.50 to AARP members). How to plan and enjoy vacation trips. Tips on house swapping, learning vacations, protecting yourself from misleading travel claims, finding bargain cruises, and more.

Planning Your Retirement Housing, Michael Sumichrast, Ronald G. Shafer, and Marika Sumichrast. 1984. $8.95 ($6.50 to AARP members). Discusses everything from manufactured homes to Caribbean real estate.

The Essential Guide to Wills, Estates, Trusts, and Death Taxes, Alex J. Soled. 1984. $12.95 ($9.45 to AARP members). Explains what should be in an effective will, how to reduce your estate's tax liability, when to consider a trust fund, how to appoint a personal representative.

Your Vital Papers Logbook, AARP Worker Equity Dept. 1984. $4.95 ($2.95 to AARP members). Makes organizing and keeping track of your important records easy and convenient.

Alone—Not Lonely: Independent Living for Women Over Fifty, Jane Seskin, Washington, DC: AARP; Glenview, IL: Scott, Foresman and Company, 1985. $6.95 ($4.95 to AARP members). Provides help in meeting the new challenges that women over fifty and single, separated, divorced, or widowed will encounter in independent living.

AARP WORKER EQUITY

PW 3729(989) • D12322